

As mentioned in last month's Bulletin, here is more information on Medicare internal system. It may or may not have a direct affect on your prescription program but the information might be worth passing along if only because there's no such thing as too much knowledge. This is from an article entitled "Insurers Make Big Profits from Medicare Advantage Plans" dated June 2007. Back in 2003, Congress passed the Part D drug benefit as part of a larger legislative package called the Medicare Modernization Act (MMA). Included in that law were several provisions that put Medicare on the road to privatization. One of those measures was an increase in reimbursement rates to private insurance plans. Now, many in Congress say the high rates could bankrupt Medicare and are calling for a rollback and other changes.

**PRIVATE PLANS.** The private plans participate in a program that, until 2003, was known as Medicare+Choice and is now called "Medicare Advantage". When you join one of these plans, you actually give up your rights to traditional Medicare and receive all your health care coverage from private insurance. Medicare Advantage plans don't supplement Medicare in the way Medigap and most employer-sponsored health plans do. They REPLACE Medicare with a private insurance package. A lot of seniors don't know this. Before 2003, the government paid these private plans the same amount as Medicare's per-senior-cost. Insurance companies complained the amount was too low to provide coverage and also make a profit. Many stopped participating, alarming the Bush administration and congressional conservatives who tend to favor private insurance over government programs. So they pushed through the higher reimbursement rates as part of the Medicare Modernization Act.

**HIGHER REIMBURSEMENTS.** Now, the average Medicare Advantage plan is paid 112 % of what it costs to treat the average senior under traditional Medicare. But this rate varies depending on the type of private plan. Health Maintenance Organizations (HMO's) get the lowest reimbursement rates - 110 % - because they're the most restrictive plans and, therefore, less costly. Participants are strictly limited to doctors and hospitals in the HMO network. A somewhat more lenient type is the Preferred Provider Organization (PPO), which lets seniors see providers outside the network if they're willing to pay higher co-pays to do so. Medicare Advantage reimburses PPO's at 115 %.

**FEE FOR SERVICE.** Finally, there are the private fee-for-service plans (PFFS) which look a lot like Medicare but are really insurance products. Like Medicare, they allow seniors to go to any doctor or hospital they choose. PFFS plans barely existed before the 2003 MMA, but now that they're reimbursed a whopping 119 % of the Medicare rate, they've become the fastest growing private-plan type under Medicare Advantage. The huge reimbursement rates have enabled Medicare Advantage plans to make big profits. According to the Medicare Rights Center, private insurers will make \$7.5 billion in overpayments this year alone (6/2007). These corporate profits come directly from the pockets of American taxpayers and the premiums paid by seniors for Medicare Part D. Also higher reimbursements mean private plans can provide extra benefits or lower co-pays, which encourage seniors to leave Medicare and opt for Medicare Advantage. Only 13 % of beneficiaries participated in private plans in 2003; 20 % did in 2007...

These participants tend to be the healthiest seniors because the MMA lets private plans "cherry pick" the least-costly beneficiaries. The plans are allowed to offer less coverage for such services as home care or nursing home care, which tends to discourage the oldest and frailest seniors from signing up. That means the plans are often paid higher rates to serve the seniors who use the fewest services while the sickest and most expensive to treat stay in the traditional program.

Some organizations were working with the chair of the Health Subcommittee in the House of Representatives (who was Rep Pete Stark of CA in 2007) on legislative efforts to create a level playing field for private plans and Medicare in order to stop the drain on Medicare's finances created by the enhanced reimbursements and stop the cherry-picking that helps private plans increase their profits by avoiding beneficiaries who use the most health care services.

The more we know the less we believe in the reasons given us why Medicare is going broke. How about an insuranceless system? They whine about the level of their profit when they should not be making any profit at all because there is no need for them to participate in the system. Our government teaches us that "socialized health care" is the devil's own plan, but compared to what? I'll bet that if seniors thought about what they need from a health system, what they were willing to pay and how they would pay for it, I know it would be a doozie of a plan. By this time in our lives we should be coasting along, singing a song but we are forced to spend time struggling up a slippery hill just to keep heart and soul together. Not fair. But who knows better what seniors need than seniors? Let's play H-E-A-L-T-H along with B-I-N-G-O.